

# Healthy Neighborhoods Venture Fund\*

## M I S S I O N

**S** moking and tobacco-related illnesses have been a major public health issue, particularly in recent years as more lawsuits were brought by individuals and entities against the tobacco industry. The attorneys general of most States and the major United States tobacco companies agreed to settle more than 40 pending lawsuits brought by States against the tobacco industry. In exchange for dropping their lawsuits, and agreeing not to sue in the future, the States will receive billions of dollars in payments from the tobacco companies. Further, the companies will restrict their marketing activities and establish new efforts to curb tobacco consumption. The City, along with the other States and local government entities, joined in the settlement.

*The Master Settlement Agreement (MSA) was signed by parties to the lawsuit on November 23, 1998.*

*The City is expected to receive an estimated \$250 million over the 25 years covered by the settlement. With the involvement of the community, the City Council established priorities and criteria to guide the distribution of these funds. These priorities and criteria are detailed in the discussion that follows.*

*\* Finances of this fund may be found in the source and use statement entitled, "Anti-Tobacco Master Settlement Agreement Revenue Fund. "*

# Healthy Neighborhoods Venture Fund

## Budget Summary

	2003-2004 Adopted	2004-2005 Proposed*	Change
Anti-Tobacco/Health Activities	\$ 1,333,212	N/A	N/A
Senior Services/Health Activities	\$ 2,557,026	N/A	N/A
Education/Health Activities	\$ 5,682,368	N/A	N/A

\* Funding recommendations for Tobacco-Free/Health Activities, Education/Health Activities, Senior Services/Health Activities, Administration and Reserve categories will be considered by the Healthy Neighborhoods Venture Fund (HNVF) Advisory Committee in May 2004 and considered for approval by the City Council as part of the budget process.

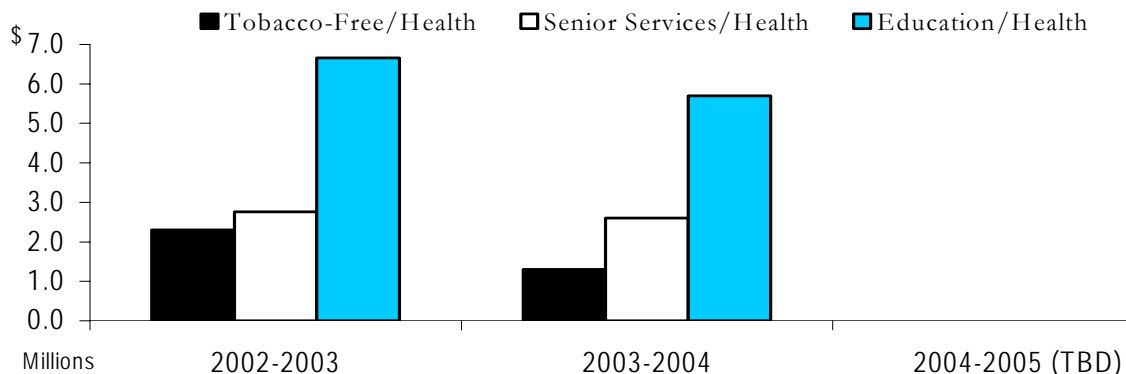
## Budget Highlights 2004-2005

☐ Children's Health Initiative, insurance to children whose families have income at or below 300% of the federal poverty level, the Homework Centers Program, and HNMF Administration were identified as priorities for continued funding in 2004-2005.

☐ As a result of the transfer of \$10.0 million to the General Fund and the allocation of \$13.5 million in projects in 2003-2004, cash remaining in the HNMF is down significantly after making payments on 2003-2004 obligations. The City will not receive revenues for 2004-2005 until April 2005, creating a potential cash flow problem in the fund for the first three quarters of 2004-2005. This situation will be alleviated in the fourth quarter when revenues are received.

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## Healthy Neighborhoods Venture Fund Allocation by Category



# Healthy Neighborhoods Venture Fund

## Fund Overview

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**T**he City of San José estimates \$250 million will be received over the 25 years covered by the national settlement with tobacco companies. It is estimated that the ongoing allocation for the remaining 20 years will be approximately \$9.5 to \$10.0 million per year.

On June 27, 2000, the City Council adopted an ordinance establishing a special fund (Anti-Tobacco Master Settlement Agreement Revenue Fund) for receipt and use of tobacco settlement funds. On September 5, 2000, the City Council approved an allocation plan, timeline, criteria, and funding priorities for the use of these funds, hereafter referred to as the Healthy Neighborhoods Venture Fund (HNVF) Program. Originally, the plan required that 25% of the funds be allocated to existing or new anti-tobacco/health activities, 25% to senior services/health activities, and the remaining 50% to education/health activities (i.e., “25-25-50” allocation). This allocation plan also allowed up to 50% of available funds to be allocated as ongoing funding and the remaining 50% for yearly one-time funding and/or multi-year one-time services and capital projects (limited to a funding term of three years during a single funding cycle). The City Council stipulated that any allocation of HNVF Program funds should be decided through a competitive process.

Following the Cycle 2 process, on November 13, 2001 the City Council approved a revised allocation policy for award of funds in the three funding categories. For future flexibility, the original “25-25-50” allocation formula became a “guideline” rather than a requirement.

The City Council set the first funding process, Cycle 1, to cover the period from January 1, 2000 through June 30, 2001. Over \$63.0

million has been allocated in the subsequent four cycles.

Allocations during Cycle 4, covering July 1, 2003 through June 30, 2004 were higher than previous years. Funding priorities approved in November 2002 for Cycle 4 totaled \$2.87 million (Homework Centers, Children’s Health Initiative, HNVF Administration, and Downtown College Preparatory Charter High School), and \$100,000 was allocated for capacity building workshops for the City’s community based organization (CBO) partners. In addition, the City Council also approved a transfer of \$10.0 million in Ending Fund Balance to the General Fund to assist the City in minimizing the impact of the economic downturn on City services.

Allowing for the above-mentioned priorities and a modest operating reserve, the amount allocated for new projects in 2003-2004 was approximately \$13.2 million, and was funded in part through the use of an additional \$2.1 million in one-time funds from the Ending Fund Balance of the Healthy Neighborhood Venture Fund. The Homework Centers were also given an additional \$1.79 million while the Children’s Health Initiative received an additional \$1.0 million, bringing their 2003-2004 allocations to \$2.9 million and \$2.1 million, respectively.

The Cycle 5 funding process will cover the period of July 1, 2004 through June 30, 2005. In November 2003, City Council approved funding priorities for Homework Centers, Children’s Health Initiative and HNVF Administration. To fund the above-mentioned priorities, encumbrances and a modest operating reserve, the total amount available for allocation in 2004-2005 is only approximately \$14.1 million. The City has received requests for funding of \$20.4 million (excluding the approved funding priorities

# Healthy Neighborhoods Venture Fund

## Fund Overview (Cont'd.)

which totaled \$5.4 million in 2003-2004), far exceeding the amount available for allocation. As the document goes to print, final HNMF

Advisory Committee funding decisions are still pending.

## Fund Summary

	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Proposed* 3	% Change (2 to 3)
<b>Dollars by Sources</b>				
Fund Balance	\$ 18,759,565	\$ 17,047,166	\$ 3,835,199	(77.5%)
Program Income	12,620,802	11,465,000	10,234,293	(10.7%)
<b>Total</b>	<b>\$ 31,380,367</b>	<b>\$ 28,512,166</b>	<b>\$ 14,069,492</b>	<b>(50.7%)</b>
<b>Dollars by Uses</b>				
Tobacco-Free/Health Activities	\$ 2,179,521	\$ 1,333,212	N/A	N/A
Senior Services/Health Activities	3,307,015	2,557,026	N/A	N/A
Education/Health Activities	8,210,238	8,742,668	N/A	N/A
Transfer to the General Fund	0	10,000,000	0	N/A
To be Allocated	N/A	N/A	11,552,594	N/A
Fund Balance and Miscellaneous	17,683,593	5,879,260	2,516,898	(57.2%)
<b>Total</b>	<b>\$ 31,380,367</b>	<b>\$ 28,512,166</b>	<b>\$ 14,069,492</b>	<b>(50.7%)</b>

\* Funding recommendations for Tobacco-Free/Health Activities, Education/Health Activities, Senior Services/Health Activities, Administration and Reserve categories will be considered by the HNMF Advisory Committee in May 2004 and considered for approval by the City Council as part of the budget process.

# Healthy Neighborhoods Venture Fund

## Budget Category: Tobacco-Free/Health Activities

### Budget Category Overview

The goal of the Tobacco-Free/Health Activities funding area is “to decrease the use of tobacco products and related health problems associated with tobacco use for San José residents, contributing to improved overall health for the city’s population.” All funded projects in this category will be members of the

Tobacco-Free Collaborative. In 2003-2004, coordination of this task was transferred from the Parks, Recreation, and Neighborhood Services Department to the American Lung Association (ALA). The ALA will develop a strategic plan for a Tobacco-Free Community in San José.

### Budget Category Summary

	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Proposed* 3	% Change (2 to 3)
Tobacco-Free/Health Activities	\$ 2,179,521	\$ 1,333,212	N/A	N/A
<b>Total</b>	<b>\$ 2,179,521</b>	<b>\$ 1,333,212</b>	<b>N/A</b>	<b>N/A</b>

\* Funding recommendations for Tobacco-Free/Health Activities, Education/Health Activities, Senior Services/Health Activities, Administration and Reserve categories will be considered by the HNVF Advisory Committee in May 2004 and considered for approval by the City Council as part of the budget process.

Proposed Allocation	Rebudget Prior Years Fund (\$)	Cycle 5 Award	Total Proposed 2004-2005 (\$)
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To Be Allocated		N/A	N/A
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These funds are to be allocated to projects that contribute to the HNVF program goal “to decrease the use of tobacco products and related health problems associated with tobacco use for San José residents, contributing to improved overall health for the city’s population.” Funding recommendations to allocate 2004-2005 funds will be considered by the HNVF Advisory Committee in May 2004 and considered for approval by the City Council as part of the budget process.

Total Tobacco-Free/Health Activities		N/A	N/A
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# Healthy Neighborhoods Venture Fund

## Budget Category: Senior Services/Health Activities

### Budget Category Overview

The goal of the Senior Services/Health Activities funding area is “to improve the quality of life for seniors through increasing subsidized City sponsored and/or operated programs and services, providing for basic health and nutritional needs, and promoting independent living and social/recreational activities.”

### Budget Category Summary

	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Proposed* 3	% Change (2 to 3)
Senior Services/Health Activities	\$ 3,307,015	\$ 2,557,026	N/A	N/A
<b>Total</b>	<b>\$ 3,307,015</b>	<b>\$ 2,557,026</b>	<b>N/A</b>	<b>N/A</b>

\* Funding recommendations for Tobacco-Free/Health Activities, Education/Health Activities, Senior Services/Health Activities, Administration and Reserve categories will be considered by the HNVF Advisory Committee in May 2004 and considered for approval by the City Council as part of the budget process.

Proposed Allocation	Rebudget Prior Years Fund (\$)	Cycle 5 Award	Total Proposed 2004-2005 (\$)
To Be Allocated		N/A	N/A

These funds are to be allocated to projects that contribute to the HNVF program goal “to improve the quality of life for seniors through increasing subsidized City sponsored and/or operated programs and services, providing for basic health and nutritional needs, and promoting independent living and social/recreational activities.” Funding recommendations to allocate 2004-2005 funds will be considered by the HNVF Advisory Committee in May 2004 and considered for approval by the City Council as part of the budget process.

Total Senior Services/Health Activities	N/A	N/A
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# Healthy Neighborhoods Venture Fund

## Budget Category: Education/Health Activities

### Budget Category Overview

**T**he goal of the Education/Health Activities funding area is “to improve academic success of San José students through programs that address unmet health care needs, provide for healthy developmental age appropriate activities at

school sites, and pilot innovative classroom-related activities and instruction.”

On December 16, 2003, the City Council awarded funding priority to the San José Homework Centers Program and Children’s Health Initiative

### Budget Category Summary

	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Proposed* 3	% Change (2 to 3)
Education/Health Activities	\$ 8,210,238	\$ 8,742,668	N/A	N/A
<b>Total</b>	<b>\$ 8,210,238</b>	<b>\$ 8,742,668</b>	N/A	N/A

\* Funding recommendations for Tobacco-Free/Health Activities, Education/Health Activities, Senior Services/Health Activities, Administration and Reserve categories will be considered by the HNVF Advisory Committee in May 2004 and considered for approval by the City Council as part of the budget process.

Proposed Allocation	Rebudget Prior Years Fund (\$)	Cycle 5 Award	Total Proposed 2004-2005 (\$)
To Be Allocated		N/A	N/A

These funds are to be allocated to projects that contribute to the HNVF program “to improve academic success of San José students through programs that address unmet health care needs, provide for healthy developmental age appropriate activities at school sites, and pilot innovative classroom-related activities and instruction. ” Traditionally, the Children’s Health Initiative (\$2.0 million), Homework Center Program (\$2.9 million) and HNVF Administration (\$500,000) costs have been given priority funding from this category. Funding recommendations to allocate 2004-2005 funds will be considered by the HNVF Advisory Committee in May 2004 and considered for approval by the City Council as part of the budget process.

<b>Total Education/Health Activities</b>		N/A	N/A
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